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March 15, 1994

Rocky Hudson
District Manager
Access Tariffs
(Switched/Special)

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
Washington, D.C. 20554

93-129

Attention: Common Carrier Bureau

Re: Revised Cost Support for 800 Number Portability
Access Service (NPAS) vertical feature in response
to Order released February 14, 1994 (DA 94-150)

On February 14, 1994, the Common Carrier Bureau released an Order In the Matter of 800 Data Base Access Tariffs and the 800 Service Management System Tariff (Order), CC Docket No. 93-129 (DA 94-150). The Order is in response to an earlier Order where the Bureau denied petitions filed by several local exchange carriers (LECs) to waive the cost disclosure requirement of paragraph 29 of the Designation Order. The Bureau required price cap LECs that wish to file additional cost support or arrange for the release of their cost models under protective agreements to do so by March 15, 1994.

As a result, Southwestern Bell Telephone Company (SWBT) must either arrange for disclosure of the Common Channel Signaling Cost Information System (CCSCIS) cost model used to support the cost for its vertical feature, Call Handling and Destination, or file revised cost support. Due to the proprietary restriction associated with the cost model used by SWBT, SWBT is forced to file revised cost support. Attached is the Description and Justification that includes the revised cost support.

Acknowledgment and date of receipt of this filing are requested. A duplicate letter is attached for this purpose.

One Bell Center
36-M-08
St. Louis, Missouri 63101

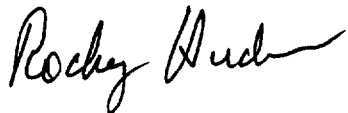
Phone 314 331-9685
Facsimile 314 923-0070

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Common Carrier Bureau
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All correspondence and inquiries concerning this filing should be addressed to William A. Blase, Jr., Director-Federal Regulatory, 1401 I Street, N.W., Suite 1100, Washington, D.C. 20005.

Sincerely,

A handwritten signature in cursive script, appearing to read "Rocky Duda".

Attachments:

Duplicate Letter
Revised Cost Support

Copy of Letter (with attachments as appropriate) to:
Mr. Tom David
Mr. Tom Quaile

1 DESCRIPTION AND JUSTIFICATION

1.1 DESCRIPTION

In the Bureau's February 14, 1994, Order In the Matter of 800 Data Base Access Tariffs and the 800 Service Management System Tariff the Bureau ordered that by March 15, 1994, SWBT must either arrange for disclosure of the Common Channel Signaling Cost Information System (CCSCIS) cost model used to support the cost for its vertical feature, Call Handling and Destination, or file revised cost support. Due to proprietary restrictions associated with the cost model used by SWBT, SWBT is forced to file revised cost support.

1.2 OVERVIEW

With this filing SWBT is filing revised cost support for the vertical feature, Call Handling and Destination. The Bureau's February 14, 1994, Order required SWBT to arrange for disclosure of the current cost model or file revised cost support. SWBT and other BOCs unsuccessfully attempted to arrange for disclosure of the model in a redacted form to petitioners only under appropriate protective agreements in order to protect trade secrets of Bellcore, the owner of the cost model, and highly sensitive confidential data of SWBT's vendors which SWBT is obligated not to disclose.

Forward looking incremental cost is appropriate for establishing price floors based upon widely accepted economic principles. SWBT originally filed cost support on this basis. The means SWBT has to develop incremental cost for the service in question is by the use of the CCSCIS cost model. Because of the Bureau's disclosure requirements for this

model in this proceeding, SWBT effectively has no choice but to file a cost other than forward looking incremental.

Because SWBT will be filing costs other than incremental in this proceeding due to the unique circumstances presented by the facts of the proceeding and the Bureau Order, no precedent for the use of such cost or methodology should be inferred from this filing. SWBT should not be required to calculate and file an alternate non-incremental cost of service in future proceedings merely because petitioners in those proceedings wish to access the competitively sensitive data that an incremental cost method would reveal. Further, it may not be possible to develop an alternate, non-incremental cost for every service, and the Bureau should not assume that this can be done. SWBT notes that a number of parties have filed an Application for Review of the Bureau Order. SWBT reserves the right to withdraw the new cost support and to reuse CCSCIS, if appropriate, after resolution of the Application for Review.

1.3 REVISED COST DEVELOPMENT

As stated in Section 2.3, Call Handling and Destination, of SWBT's March 1, 1993, original 800 NPAS filing, the "only network component involved in Call Handling and Destination is the SCP". SWBT developed the rate for this feature in the original 800 NPAS filing based on the Commission's new services pricing rules. According to those rules, the rate for a new service equals the direct costs plus overhead. SWBT interpreted direct cost to mean the incremental cost of providing the service. The support filed in SWBT's original 800 NPAS filing for Call Handling and Destination was based on this

methodology, with the direct costs being provided from the CCSCIS cost model. The new cost support is based on the same rules under which SWBT supported the 800 Number Portability Access Service (800 NPAS) Query charge.

As provided in Appendix A of SWBT's Direct Case, the 800 database specific interstate portion of SWBT's exogenous costs that are associated with the SCPs totaled \$1,094,000 annually. As discussed in the original filing, the interstate amount was determined via Part 36 of the Commission's Rules and Regulation. The 800 database specific interstate SCP cost supports both the basic query and the vertical feature, Call Handling and Destination.

In developing the 800 NPAS Query Charge SWBT allocated the costs associated with the SCPs between services (800 database and LIDB) based on queries. SWBT is utilizing the same methodology in the current filing to allocate the 800 specific interstate SCP costs to the vertical feature.

As discussed in SWBT's response to Issue Twelve, pages 18 and 19, of SWBT's Reply filed April 1, 1993, SWBT's "actual projection of vertical features is 15% of projected Basic 800 Queries". Based on discussions with customers and other industry participants since the original filing, SWBT has determined that the initial projection greatly exceeds the industry's experience. Therefore, an estimate of 5% has been determined to be much closer to the actual usage projected by customers.

In developing the rate for vertical features, as displayed on Exhibit A, SWBT multiplied the 800 database specific interstate portion of SWBT's SCP costs (\$1,094,000) by the 5% estimate of usage to obtain the average annual vertical feature interstate specific cost allocated to vertical features (\$54,700). The average annual vertical feature interstate specific cost allocated to vertical features was then divided by the interstate levelized annual forecast of queries associated with vertical features (164,545,893) to obtain the vertical feature rate.

The interstate forecast has been updated to reflect SWBT's actual experience from June through December of 1993. Based on this experience SWBT has forecasted basic and vertical queries as shown in Exhibit B.

EXHIBIT A**Vertical Feature Cost Development**

		Source	Value
(1)	SCP Portion of Exogenous Costs =		
(a)	Annual interstate investment porti	Direct Case	\$443,000
(b)	Annual interstate expense portion	Exhibit A	<u>\$651,000</u>
	Total annual interstate SCP		
(c)	Exogenous Costs =	(1a + 1b)	\$1,094,000
(2)	% of SCP associated with vertical features =	Section 1.3	5.00%
(3)	Vertical feature average annual interstate cost =	(1c * 2)	\$54,700
(4)	Interstate vertical feature forecast	Exhibit B	164,545,893
(5)	Rate per vertical feature =	(3/4)	\$0.0003

EXHIBIT B

	Year 1 5/1/93-4/30/94	Year 2 5/1/94-4/30/95	Year 3 5/1/95-4/30/96	Year 4 5/1/96-4/30/97	Year 5 5/1/97-4/30/98
Annual Basic Queries	2,292,371,556 Note 1	2,636,227,289	3,031,661,383	3,486,410,590	4,009,372,179
5% vertical	114,618,578	131,811,364	151,583,069	174,320,530	200,468,609
			Vertical Feature Average Demand Note 2		164,545,893

Note 1 - Year 1 is based on actual queries from June 1 through December 31, 1993, annualized.

Note 2 - Sum of Years 2 through 5 divided by 4.